The Business Case for Strengthening Employee Retention

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"Our employees are our greatest asset." Countless CEOs have made this statement, and no doubt, most of them believe it. The actions of many companies, however, say something else.

With the unemployment rate (both nationally and in California) at historically high levels the past few years, some companies have adopted the attitude that it's a "buyer's market" when it comes to human resources and talent. Therefore, the thinking goes, they don't have to worry as much about retaining their employees because "they ought to be happy they have a job."

But this is short-sighted and dangerous thinking. Talent is always in high demand, regardless of economic conditions or the unemployment rate. Companies that aren't being proactive about attracting and retaining the best and the brightest employees will eventually find themselves at a competitive disadvantage as top talent migrates away from them and toward their competitors.

Putting People First
"Our people come first" is another statement that has been uttered by numerous CEOs—but do they really? This statement directly contradicts another supposed business truism—the one that says "the customer is always right." These both can't be true, so which is it?

Of course, businesses should do everything within reason to satisfy their customers and make them happy so they will return and hopefully tell others about the business. But there are limits to how far any business should take the "customer is always right" mantra.

For example, suppose a customer wants to return an item to a retail store that has obviously been used—let's say a pair of shoes. The store has a strict policy against such returns, since it cannot resell the shoes after they have been worn. When the store employee tries to respectfully tell the customer that the shoes cannot be returned, the customer blows up, asks for the owner, and then accuses the employee of being verbally abusive to her.

Who's side should the owner take? If "the customer is always right," the owner will apologize for the employee's (supposed) verbal abuse, accept the shoes back, and perhaps even reprimand the employee on the spot. But if the business' "people come first," the owner will hear the employee's side of the story before deciding what to do—even if it risks further irritating and losing the customer.

Putting emotions aside, which option makes the most business sense? If the owner immediately sides with the customer without even hearing the employee's side of the story, there's a good chance the employee will soon quit. Then the business will be faced with the costs of replacing not only this employee, but perhaps others as word of the incident will surely spread throughout the workforce.

If the owner sides with the employee, the business might lose the disgruntled customer. But what business really wants a customer that lies about a returned item and falsely accuses an employee of abusive behavior?

Be Consistent Over Time
Creating an employee-centric culture in a business isn't a one-time initiative that can be accomplished in a week or two. Instead, it requires months (or even years) of consistent, employee-first actions by management and ownership. Here are four steps that can help you create the kind of people-centric workplace environment that attracts the best employees—and makes them want to stay:

1. **Share the vision for the company.** Most employees want to feel like they are part of something bigger than just themselves and the job they perform. Openly share with employees your future vision for the company, and most importantly, how they fit in.

2. **Offer consistent (and candid) feedback.** Most employees want to know how they are doing in performing their jobs, even if the feedback is negative. Annual performance reviews are not enough—instead, you should implement formal programs that require managers to give employees honest and constructive feedback on a consistent basis.

3. **Reward and recognize employees publicly.** Studies have consistently shown that most employees value public recognition by their employer as much as, if not more than, higher compensation. Publicly praising your employees when they have performed well doesn't cost your business a penny, and it can go a long way toward keeping your employees happy, motivated and on-board for the long haul.

4. **Pay competitive salaries and wages.** That said, it's unrealistic to expect your top talent to stay for long if your compensation is below average. To avoid losing your best employees over money, determine the average total compensation for each position in your company in your market area, and then set yours five to 10 percent higher. This is the average raise offered by competing companies trying to lure top employees away from their jobs.

Concluding Thoughts
Los Angeles and Southern California CEOs and CFOs shouldn't be complacent about employee retention just because California's unemployment rate remains high. Instead, be proactive by taking steps now to create an employee-centric culture within your workplace. You'll reap big benefits over the long term through higher employee retention rates and a healthier bottom line.

About CFO Edge
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